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MICHIGAN'S NO-FAULT AUTOMOBILE INSURANCE

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Automobile insurance is one of the principal types of personal insurance most people purchase to protect themselves from major risks. These risks may be summarized as follows: first, being sued and found legally responsible for the bodily injury and property damage caused to other people and their property; second, being injured or killed in an automobile accident; and third, losses due to one's automobile being damaged or destroyed in a collision or by some other peril such as theft, fire, flood, or windstorm.

The Michigan legislature enacted a no-fault automobile insurance law that took effect October 1, 1973. This law has had a tremendous effect not only on the automobile insurance industry, but also on the legal profession and those required to purchase this insurance. To understand Michigan's no-fault law it is necessary to know something about traditional automobile insurance policies, since these are still in use and are only modified by the provisions of the no-fault law.

The traditional automobile insurance policy consisted of four sections. Section I covered bodily injury and property damage liability. It protected the insured against being sued for damages caused to other people and their property. The insurer paid the damages the policyholder was legally responsible for causing, up to the limit of insurance coverage purchased. The key words are *legally responsible* or *legally liable*. Liability depends upon the degree of negligence in an accident and the type of negligence doctrine adopted in the state in which the accident occurs.

The two types of negligence doctrines are known as contributory negligence and comparative negligence. The former is harsher, since one is not legally liable if it can be shown that the other party in the accident was in any way guilty of negligence that contributed to or caused the accident. Under this doctrine, even if the other party had been as much as 99 percent negligent, a person could not recover damages for injuries from the other party. The one percent negligence would defeat the claim. Under contributory negligence, the claimant can recover damages from the other party only if the claimant was not negligent at all; conversely, the insurer will pay on the policyholder's behalf only if the insured is 100 percent negligent.

Under a comparative negligence doctrine, there would be some recovery, depending upon the type of law in effect. The law may provide that the least negligent person may recover the nonnegligent percentage of his or her damages, while the most negligent party to the accident recovers nothing. Thus, a party who was one percent negligent and sustained $1,000 of bodily injury damages could recover $990 from the person who was 99 percent negligent, or 99 percent of $1,000. The most negligent person's automobile liability insurance would pay the $990 on behalf of its insured, who was legally responsible for the damages. Michigan currently follows the comparative negligence doctrine. Despite the existence of the no-fault law, we shall see shortly the importance of the liability coverages of the automobile insurance contract.

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The second section of the traditional automobile insurance policy provided medical expense insurance. This coverage paid the medical expenses sustained in an automobile accident when the policyholder could not recover from the other party because of contributory or primary negligence. One's own medical expenses would be paid by one's own insurance company under this coverage. Payment was not based on legal liability, but was a moral type of coverage up to the limit purchased. As will be seen shortly, this coverage is completely eliminated by Michigan's no-fault law.

A third section of the traditional policy provides "uninsured motorists" coverage. If a policyholder sustains bodily injury (not property damage) from an accident with an uninsured motorist, and if the policyholder is legally entitled to recover damages (was not guilty of contributory negligence or was least negligent), then the insured will collect for medical and bodily injury expenses from his or her own insurance company under this coverage. Since Michigan's no-fault law makes this coverage virtually worthless, we shall argue that the legislature should outlaw its issuance.

The fourth section of the traditional auto insurance contract provides "physical damage" insurance or coverage for loss or damage to the insured's automobile. The two principal coverages are comprehensive and collision. The former is extremely broad and covers all risks of loss to the automobile except collision losses. The latter covers collision losses and usually is issued with a deductible, such as $50 or $100. In a collision with another automobile, if the insured could not recover from the other driver for the property damage to his or her car because of contributory or primary negligence, the insured party's own collision insurance would pay for the property damage loss over the amount of the deductible carried. Michigan's no-fault law significantly affects collision coverage.

The Michigan law applies to the owners or registrants of all motor vehicles required to be registered in Michigan and of all those driven in Michigan for more than 30 days in any calendar year. Persons who do not have the required insurance are guilty of a misdemeanor; if convicted, a person "shall have his or her license and, if an owner or registrant, his or her registration revoked, and may be fined not less than $100.00 nor more than $500.00, imprisoned for not more than one year, or both."

PERSONAL INJURY PROTECTION

There are three compulsory or required coverages under the no-fault law. The first is called personal injury protection (PIP). PIP benefits protect against financial loss resulting from bodily injuries received in an automobile accident. Family members living with the policyholder, guest passengers in the automobile, and any pedestrians injured by the insured are entitled to benefits under the insured's policy if they do not have a no-fault policy of their own. Since the insured collects PIP benefits from his or her own insurance company, one does not have to sue to receive them; they are paid regardless of who was at fault in the accident. PIP benefits apply both in Michigan and out of state.

The PIP section of the no-fault law includes the following benefits, all of which are health insurance. First, medical, hospital, and rehabilitation expenses are covered on an unlimited basis. Second, should the accident result in the death of an insured party, there is a $1,000 per person funeral expense benefit. Third, there is a dependent survivors benefit payable to the spouse or dependent children of a person who dies as the result of an automobile accident. The amount of this benefit is 85 percent of the decedent's lost wages, up to $1,000 per month for a maximum of 36 months. Survivors do not receive more than the amount for which they were financially dependent on the deceased. The fourth PIP benefit is a work loss benefit.

This last benefit consists of two parts: lost income and substitute services. The lost income benefit is payable if a person is unable to work because of an injury received in an automobile accident. The amount received is 85 percent of lost gross monthly income for up to a maximum of 36 months. There is a monthly dollar maximum, adjusted by the Michigan insurance commissioner and effective every 1 October; it is based on the annual change in the national Consumer Price Index. When no-fault automobile insurance started on 1 October 1973, the maximum monthly lost income benefit was $1,000. Table 1 indicates increases approved by the insurance commissioner since the program's inception. The current monthly maximum is $1,870, which means that if a person's gross monthly income equals or exceeds $2,200, he or she could receive $1,870 for 36 months (if disabled that long) and collect $67,320 from the insurer.

TABLE 1

Michigan's Maximum Monthly Lost Income Work Loss Benefit

Period	*Monthly Max. (in dollars)*	*36 Month Max. (in dollars)*	*Annual Incr. (in percentage)*	*Cum. Incr.* (in percentage)*
10/1/73–9/30/74	1,000	36,000	—	—
10/1/74–9/30/75	1,111	39,996	11.1	11.1
10/1/75–9/30/76	1,213	43,668	9.2	21.3
10/1/76–9/30/77	1,285	46,260	5.9	28.5
10/1/77–9/30/78	1,373	49,428	6.8	37.3
10/1/78–9/30/79	1,475	53,100	7.4	47.5
10/1/79–9/30/80	1,636	58,896	10.9	63.6
10/1/80–9/30/81	1,870	67,320	14.3	87.0

*Base period is 10/1/73–9/30/74.

The second part of the PIP work loss benefit, substitute services, compensates for services ordinarily performed by the injured person, but which can no longer be performed because of the injuries received in an automobile accident. The cost of hiring a substitute, such as a babysitter or domestic help, is covered up to $20 per day for a maximum of three years. However, the substitute services benefit is paid in conjunction with the lost income benefit, which means that the two together cannot exceed the maximum monthly income limit, currently $1,870.

The no-fault law provides that PIP benefits are reduced by any Workers' Compensation and Social Security compensation received. For example, if a person is totally disabled in an automobile accident, the disability benefits

received from Social Security would reduce the amount of lost income benefit received from PIP.

As was previously indicated, the no-fault PIP coverage is essentially health insurance benefits. The no-fault law provides the option of people making either their personal health insurance or their PIP medical-hospital and lost income benefits primary coverage. If personal health insurance is taken as primary coverage, it will pay to its limit, and then the automobile insurance will pay the excess expenses up to the limits of the no-fault law. If personal health insurance is the primary coverage, automobile insurance rates are slightly lower than if the PIP benefits are the primary coverage. Regardless of which is primary, the unlimited medical-hospital benefits under the PIP portion of the no-fault law completely eliminate the medical payments section (usually coverage C of Part II) of the traditional automobile insurance policy issued in Michigan.

We can now understand why uninsured motorist coverage is practically worthless under Michigan's no-fault law. First, there should not be any uninsured motorists, so one should not be involved in accidents with them. Even if one were, one would collect from one's own PIP benefits. If bodily injury damages exceed those provided by PIP benefits, one could recover under uninsured motorist coverage if one were the least negligent party in the accident. The probability of collecting uninsured motorist benefits is, thus, exceedingly small, and Michigan's drivers would be better off saving the premium they now pay for this coverage. If the legislature does not outlaw this coverage, it should at least require the insurance industry to give the insuring public the option of not purchasing it.

PROPERTY PROTECTION INSURANCE

The second compulsory coverage under the no-fault law is called property protection insurance (PPI). If accidental damage is done to someone else's property with one's car, PPI pays the amount of the damage up to $1 million. Excluded is damage to another motor vehicle unless it is legally or properly parked. Also, PPI does not cover damage one's car does to one's own property, including the automobile. PPI pays for direct and indirect or consequential property damage accidentally caused with one's automobile. For example, if a person loses control of his or her vehicle and crashes into a retail establishment, causing $8,000 of direct property damage, PPI will pay the $8,000. Direct losses are valued on a replacement cost less depreciation basis. If, as a result of the accident, the business is shut down while repairs are made, causing a business interruption loss of $12,000, this indirect or consequential loss will also be paid by PPI. The no-fault law provides PPI coverage only in the state of Michigan.

RESIDUAL LIABILITY INSURANCE

The third and final compulsory coverage under Michigan's no-fault law is bodily injury and property damage liability insurance. This is called residual liability insurance because it fills in the gaps in PIP and PPI no-fault automobile insurance, at least to the limits of coverage purchased. The minimums required in Michigan are $20,000/$40,000/$10,000. One must carry at least $20,000 of bodily injury protection for each person one may injure in an automobile accident, and at least $40,000 of bodily injury liability insurance for all of the persons injured or killed in the accident. The $10,000 is the minimum amount of property damage liability insurance one must carry under Michigan law. One can purchase excess limits, such as $50,000/$100,000/$25,000 or $100,000/$300,000/$50,000.

Residual liability insurance is necessary because Michigan's no-fault law provides the right to sue. One may recover from the person who is more than 50 percent negligent in an accident if one sustains serious impairment of a bodily function, permanent and serious disfigurement, or death; if one's lost income exceeds the monthly limit, currently $1,870; or if one's disability and lost income extends beyond 36 months. In Michigan, a party who is more than 50 percent negligent may be sued for these reasons; thus, people must have the residual liability insurance to cover what they are found legally liable to pay to the injured party.

Residual liability also offers protection in an accident with an out-of-state driver not covered by a no-fault law. If a person is sued and held legally responsible, regardless of whether the accident happens in or out of Michigan, residual liability insurance covers the bodily injury and property damage caused.

Prior to 1 July 1980, the Michigan no-fault insurance law provided a property damage tort exemption. One could not sue for any property damage to one's automobile, even if the other driver was entirely at fault. This provision has been slightly modified by Act No. 145 of the Public Acts of 1979, also known as the essential insurance law. We shall see what changes this act effected after discussing the physical damage coverage of the automobile insurance policy.

PHYSICAL DAMAGE INSURANCE

The three mandatory no-fault coverages described above leave a serious gap in protection because they do not cover damage to one's automobile. If the car is older and of limited value, one might elect not to purchase physical damage insurance. If, however, the automobile is not yet paid for or is relatively new and of substantial value, one must (in the case of financing) or may want to purchase the insurance. As noted earlier, the two basic physical damage coverages for a car are collision, which covers collision losses, and comprehensive coverage, which protects the auto from other perils. Together, they constitute essentially "all-risk" coverage for an automobile.

The no-fault law requires one's insurance company to offer collision coverage if one wants to purchase it. There are three kinds available. The first, limited collision, pays for collision damage to the automobile without a deductible amount when the driver is not substantially at fault. If one were substantially at fault and had limited collision coverage, nothing would be recovered. The second kind, regular or standard collision, is issued with a deductible, for example $100 or $200, which the policyholder must pay before the insurance company pays for the loss to the auto above that amount. Regardless of who was at fault

(Continued on page 7)

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Michigan Economic Indicators

Item	Year previous of latest month	Previous month	Latest month
Manufacturing workers:			
Average weekly hours, Michigan	40.6	39.6	40.1 (Sept.)
Average weekly hours, U.S.	40.3	39.3	39.8 (Sept.)
Average hourly earnings, Michigan ($)	8.74	9.38	9.64 (Sept.)
Average hourly earnings, U.S. ($)	6.80	7.30	7.42 (Sept.)
U.S. motor vehicle production (units)	819,068	664,371	852,664 (Nov.)
Michigan electricity usage (mil. kwh.)	6,306	5,719	6,105 (Aug.)
Industrial (mil. kwh.)	2,905	2,414	2,520 (Aug.)
Residential (mil. kwh.)	1,907	1,858	2,030 (Aug.)
Raw steel production:			
Michigan (000 net tons)	823	546	737 (Oct.)
United States (000 net tons)	10,810	7,767	9,442 (Oct.)
Consumer price index (1967 = 100)			
Detroit area	227.2	259.5	264.3 (Oct.)
United States	225.4	251.7	253.9 (Oct.)
U.S. wholesale price index (1967 = 100)	245.6	274.1	277.0 (Oct.)
Michigan farm prices received index (1967 = 100)	229	259	263 (Oct.)

SOURCES: U.S. Bureau of the Census; U.S. Bureau of Labor Statistics; Michigan Crop Reporting Service; Motor Vehicle Manufacturers Association, Inc.; American Iron and Steel Institute; and Edison Electric Institute.

Contracts for Future Building, First 9 Months: 1979 and 1980

(Thousands of Dollars)

Area	Nonresidential			Residential			Total[a]		
	1979	1980	Percentage change	1979	1980	Percentage change	1979	1980	Percentage change
Ann Arbor	62,458	81,808	+ 31	61,491	43,762	− 29	123,949	125,570	+ 1
Battle Creek	29,564	15,995	− 46	37,869	10,622	− 72	67,433	26,617	− 61
Bay City	7,823	15,817	+102	12,929	15,516	+ 20	20,752	31,333	+ 51
Detroit	789,635	666,158	− 16	905,735	423,333	− 53	1,695,370	1,089,491	− 36
Flint	64,754	62,238	− 4	75,358	28,111	− 63	140,112	90,349	− 36
Grand Rapids	227,509	150,717	− 34	143,153	111,763	− 22	370,662	262,480	− 29
Jackson	15,860	37,741	+138	15,730	8,457	− 46	31,590	46,198	+ 46
Kalamazoo–Portage	32,154	30,406	− 5	54,442	48,070	− 12	86,596	78,476	− 9
Lansing–East Lansing	63,622	94,843	+ 49	130,595	70,173	− 46	194,217	165,016	− 15
Muskegon–Norton Shores–Muskegon Heights	17,065	13,867	− 19	22,550	22,259	− 1	39,615	36,126	− 9
Saginaw	30,004	29,994	—	46,225	25,913	− 44	76,229	55,907	− 27
Michigan	1,521,814	1,322,262	− 13	1,955,761	1,091,247	− 44	3,477,575	2,413,509	− 31
United States	38,203,200	38,102,100	—	58,837,200	44,469,300	− 24	97,040,400	82,571,400	− 15

SOURCE: F. W. Dodge Division of McGraw-Hill Information Systems Company, news releases.

NOTE: Battle Creek includes Barry and Calhoun counties; Detroit includes Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne counties; Flint includes Genesee and Shiawassee counties; Grand Rapids includes Kent and Ottawa counties; Kalamazoo-Portage includes Kalamazoo and Van Buren counties; Lansing–East Lansing includes Clinton, Eaton, Ingham, and Ionia counties; and Muskegon–Norton Shores–Muskegon Heights includes Muskegon and Oceana counties.

a. Excludes nonbuilding construction contracts. This category comprises streets and highways, bridges, dams, reservoirs, river and harbor developments, sewerage and water supply systems, missile and space flight facilities, airports, utilities, and communication systems. For Michigan the 1979 and 1980 figures for nonbuilding construction contracts were $722,186,000 and $490,250,000 respectively, or a decrease of 32 percent. U. S. figures for non-building construction contracts were $35,079,800,000 and $24,889,400,000 or a decrease of 29 percent.

Quarterly Motor Vehicle Employment and Assembly

Item	1978				1979				1980		
	1	2	3	4	1	2	3	4	1	2	3
EMPLOYMENT[a]											
Checker											
Michigan	1,117	1,118	1,084	1,140	1,207	1,194	1,182	1,099	982	803	735
Chrysler											
Michigan	78,744	82,799	75,187	81,664	75,316	70,238	58,182	55,456	47,273	43,235	
United States	131,066	136,158	125,989	135,997	125,899	118,532	99,754	98,228	86,341	78,908	
Ford[b]											
Michigan	124,187	127,148	126,300	135,377	132,298	129,526	117,630	111,790	104,321	92,458	86,528
United States	234,635	239,517	233,314	253,536	245,253	240,054	211,763	196,038	181,595	160,226	144,068
General Motors											
Michigan	264,000	278,000	267,000	289,000	295,000	296,000	291,000	288,000	267,000	237,000	220,000
United States	588,000	619,000	594,000	643,000	644,000	650,000	582,000	602,000	561,000	499,000	469,000
ASSEMBLY											
Dearborn	40,230	70,007	39,072	83,017	96,572	92,774	85,970	68,819	65,971	70,823	49,852
Detroit	130,969	140,723	54,857[c]	89,563[c]	130,475[c]	113,866[c]	56,399[c]	78,055[c]	57,044[c]	40,016[c]	29,800[c]
Detroit (truck)	7,587	11,443	11,142	30,753[c]	33,693[c]	28,503[c]	12,861[c]	16,534[c]	14,812[c]	5,865	1,687
Flint	93,380	104,042	76,157	109,192	115,405	110,135	56,914	90,222	69,179	65,568	54,201
Flint (truck)	107,414	116,436	103,549	104,839	114,846	95,075	60,985	75,541	70,123	19,975	12,605
Hamtramck	56,098	86,545	56,808	54,230	44,901	62,806	15,345	30,134	1,031[c]	c	c
Kalamazoo	1,361	1,036	809	1,019	1,134	1,268	1,203	1,161	770	810	762
Lansing	93,080	110,381	62,327	116,726	130,644	130,363	72,684	96,143	104,913	82,558	56,769
Pontiac	75,104	87,334	61,666	82,652	91,712	85,977	46,578	61,082	50,974	30,102	26,077
Pontiac (bus & truck)	55,041	67,569	61,741	72,398	77,144	73,922	51,628	42,135	33,850	24,376	21,831
Warren (bus & truck)	76,322	94,415	72,181	84,504	76,365	48,873	5,027	19,043	14,783	28,537	17,107
Wayne	76,242	76,599	63,214	55,607	50,477	46,765	34,081	28,800	27,840	37,401	24,239
Wayne (truck)	53,462	56,436	48,390	52,388	56,052	51,994	21,305	34,256	25,355	7,751	11,890
Wixom	42,915	47,639	36,508	46,902	51,132	36,527	20,013	32,604	8,724	6,896	15,393
Ypsilanti	60,220	73,733	57,178	38,891	38,797	75,420	73,508	70,507	84,598	83,147	66,919
Total Michigan											
Passenger car	669,599	798,039	508,596	654,346	751,250	755,901	462,695	557,527	471,044	417,321	324,012
Bus and truck	299,826	341,141	297,003	368,325	358,100	298,367	151,806	187,509	158,923	86,504	65,120
Total United States											
Passenger car	2,267,474	2,656,507	1,850,701	2,398,411	2,411,307	2,482,907	1,655,546	1,884,756	1,783,732	1,632,826	1,259,897
Bus and truck	865,427	1,019,266	851,996	982,232	1,024,655	916,996	529,092	564,118	499,525	350,607	307,817
Total Canada											
Passenger car	289,695	345,842	229,593	297,157	307,823	281,806	171,427	227,966	225,969	228,428	162,183
Bus and truck	171,127	185,031	120,199	180,355	200,162	190,698	107,988	135,532	146,015	136,314	95,798

SOURCE: Ward's *Automotive Reports;* Motor Vehicle Manufacturers Association of the United States, Inc., P-I report; and companies.

a. Average monthly wage and salary employment of companies with assembly plants in Michigan; includes nonautomotive.

b. Excludes Ford Aerospace and Communications Corporation and finance and insurance subsidiaries.

c. Chrysler's Jefferson Avenue plant was converted to truck production in September 1978. It was returned to car production in August 1980 after having been closed since March 1980. Chrysler's Hamtramck plant closed January 4, 1980.

Quarterly Personal Income in Michigan

Item	Millions of dollars, annual rates, seasonally adjusted							Percentage change 1980(1) to 1980(2)	
	1978	1979				1980			
	4	1	2	3	4	1	2	Michigan	United States
TOTAL LABOR AND PROPRIETORS INCOME BY PLACE OF WORK									
By type									
Wage and salary disbursements	55,150	58,185	57,769	57,363	56,982	57,903	55,963	− 3.4	+ .5
Other labor income	7,147	7,692	7,726	7,691	7,644	7,840	7,596	− 3.1	+ 3.2
Proprietors income	3,903	4,066	4,235	4,347	4,456	4,274	3,991	− 6.6	− 8.1
Farm	560	685	857	829	863	704	613	−12.9	−20.0
Non-farm	3,344	3,382	3,378	3,518	3,593	3,570	3,378	− 5.4	− 5.0
By industry									
Farm	732	868	1,048	1,023	1,058	907	819	− 9.7	−14.3
Non-farm	65,468	69,075	68,683	68,377	68,024	69,109	66,731	− 3.4	+ .4
Private	56,849	60,248	59,640	59,139	58,638	59,555	56,989	− 4.3	+ .1
Ag. serv., for., fish., and other	145	150	155	159	161	158	164	+ 3.8	+ 3.7
Mining	338	350	358	356	367	380	391	+ 2.9	+ 3.1
Construction	3,229	3,392	3,327	3,403	3,384	3,224	3,077	− 4.6	− 4.0
Manufacturing	28,907	31,083	30,126	28,884	27,921	28,352	25,784	− 9.1	− 1.2
Non-durable goods	4,324	4,431	4,447	4,385	4,477	4,475	4,315	− 3.6	+ 1.2
Durable goods	24,583	26,652	25,679	24,498	23,443	23,877	21,468	−10.1	− 2.4
Transportation and public utilities	3,536	3,796	3,802	3,840	3,930	3,939	3,896	− 1.1	+ .9
Wholesale trade	3,308	3,493	3,589	3,670	3,690	3,767	3,762	− .1	+ .8
Retail trade	5,803	5,999	6,058	6,104	6,216	6,346	6,297	− .8	− .9
Finance, insurance, and real estate	2,518	2,623	2,630	2,757	2,740	2,818	2,887	+ 2.4	+ 2.7
Services	9,065	9,362	9,597	9,966	10,231	10,570	10,731	+ 1.5	+ 2.2
Government and government enterprises	8,619	8,827	9,042	9,238	9,386	9,555	9,743	+ 2.0	+ 1.7
Federal, civilian	1,063	1,086	1,075	1,068	1,088	1,099	1,117	+ 1.6	+ 2.5
Federal, military	202	199	196	195	203	197	200	+ 1.5	+ .2
State and local	7,354	7,542	7,771	7,975	8,094	8,259	8,426	+ 2.0	+ 1.7
DERIVATION OF PERSONAL INCOME BY PLACE OF RESIDENCE									
Total labor and proprietors income by place of work	66,200	69,943	69,730	69,401	69,082	70,016	67,550	− 3.5	—
Less: Personal contributions for social insurance by place of work	3,112	3,551	3,530	3,501	3,467	3,603	3,441	− 4.5	− .3
Net labor and proprietors income by place of work	63,087	66,392	66,200	65,900	65,616	66,413	64,109	− 3.5	—
Plus: Residence adjustment	426	435	443	451	460	471	472	+ .2	+ 2.0
Net labor and proprietors income by place of residence	63,513	66,827	66,643	66,351	66,076	66,884	64,581	− 3.4	—
Plus: Dividends, interest, and rent	9,230	9,549	9,816	10,081	10,537	11,050	11,545	+ 4.5	+ 4.6
Plus: Transfer payments	9,117	9,335	9,626	10,523	10,927	11,467	12,330	+ 7.5	+ 2.7
State U.I. benefits	369	405	469	741	959	1,208	1,964	+62.6	+36.9
Transfers excl. state U.I.	8,748	8,930	9,157	9,782	9,967	10,259	10,366	+ 1.0	+ 1.3
Personal income by place of residence	81,860	85,711	86,085	86,955	87,540	89,402	88,456	− 1.1	+ 1.1

SOURCE: Bureau of Economic Analysis, Regional Economics Information System.

MICHIGAN'S NO-FAULT AUTOMOBILE INSURANCE

(Continued from page 3)

in the accident, the deductible must be paid before recovering from the insurance company. The third type, broadended collision, is like regular collision except that, if the other party in the accident is substantially at fault (more than 50 percent), one does not have to pay the deductible but can collect the entire loss from one's insurance company.

Most people objected to the property damage tort exemption in the law once they understood they could not sue the person at fault and that they would have to collect from their own insurance. As indicated above, the Michigan legislature partially corrected that situation in Act No. 145 by providing for suit to recover property damage to a vehicle for up to $400, to the extent that the damages are not covered by insurance. The law also provides that a person's residual liability property damage insurance may not pay this $400. Suit should be brought in the small claims division of the district court, the conciliation division of the common pleas court of the City of Detroit, or the municipal court. One can only recover in court if less than 50 percent negligent.

The effect of this partial removal of the property damage tort exemption is to permit recovery of damages up to $400 if one does not have collision insurance. With limited collision insurance, people cannot sue because recovery is made from their insurance company if they are less than 50 percent at fault. Likewise, under broadened collision, they cannot sue because they have no deductible and collect the entire loss from their insurer if they are less than 50 percent at fault. If they are more than 50 percent at fault, the law provides that damages may not be assessed in their favor in court, so they cannot recover from the other party in the accident. If they carry regular collision, they can sue and recover their loss to the extent of the deductible up to $400. Again, recovery assumes that they were less than 50 percent at fault in the accident. If property damage to the car is $1,000, if one is not at all negligent, and if one carries regular collision with a $200 deductible, suit can be brought to recover the $200 deductible from the other driver, and $800 is then collected from one's insurance company.

Since the law provides that residual property damage liability insurance and other no-fault provisions do not cover the $400 maximum for which one may be found liable, the driver is uninsured unless he or she "buys back" the excluded property damage liability coverage. Most companies are offering this provision for $8.00 per year per car. If a person purchased it and is sued and found liable, his or her buy-back insurance will pay for the property damage of up to $400 that he or she is legally liable for in a collision.

SOME OBSERVATIONS

Automobile insurance is provided in a rather complex package policy that is not readily understood by most people. This descriptive article has attempted to explain automobile insurance and Michigan's no-fault law. Although the Michigan law is the most liberal in the nation, it certainly is not perfect. In the author's judgment, calling it no-fault is misleading because the element of fault is very much a part of PIP benefits, residual liability, and collision recoveries. Also, while it appears that most people are reasonably satisfied with PIP and residual liability insurance, there seems to be considerable dissatisfaction over the property damage tort exemption that forces recoveries back to one's own collision coverage. It is premature to judge the optional buy back up to $400 of excluded property damage liability coverage, but on its face this partial relief from the tort exemption appears a very superficial and inadequate solution. Finally, given the extremely low probability of recovering anything from uninsured motorist coverage, it is recommended that its issuance be prohibited in Michigan.

Summary of Michigan's No-Fault Automobile Insurance

Effective: 1 October 1973.
Applies to: Owners or registrants of

a. All motor vehicles required to be registered in Michigan, and
b. All motor vehicles driven in Michigan for more than 30 days in any calendar year.

No-Fault Coverage

I. PIP—personal injury protection (applies in and out of state).
   A. Medical and hospital expenses—unlimited (primary or excess).
   B. Funeral expenses—$1,000 per person.
   C. Work loss
      1. Lost income—85 percent up to $1,870/mo.—maximum of 36 months ($67,320).
      2. Substitute services—up to $20/day (combined work loss cannot exceed $1,870/mo.).
   D. Dependent survivors—85 percent up to $1,000/mo.—maximum of 36 months ($36,000).

II. PPI—property protection insurance—$1,000,000 (applies only in state).

III. Residual liability insurance—minimum coverage:
   A. Bodily injury—$20,000 each person, $40,000 each occurrence.
   B. Property damage—$10,000 each occurrence.

Optional Physical Damage Coverage

I. Collision coverage options:
   A. No coverage.
   B. Limited collision.
   C. Regular collision.
   D. Broadened collision.

II. Comprehensive coverage—optional.

Optional Buy-Back Coverage

I. Buy back up to $400 of excluded property damage liability coverage.

MICHIGAN FAMILY SOURCEBOOK

Edited by

Mary P. Andrews, Ph.D. and Robert P. Boger, Ph.D.

The *Michigan Family Sourcebook* is a reference book of statistical information about Michigan families and their interactions with systems in society. All of the information included in the sourcebook is Michigan data collected from the most current census reports, agency records, published surveys, and special releases. When available, county level data are also presented.

The family is the focus of this collection of descriptive information. The sourcebook contains a variety of types of data organized to describe Michigan families and the forces that affect them. Conditions and trends are highlighted to help the reader explore possible implications.

This 280 page, soft cover sourcebook was designed as a resource for agencies, organizations, and individuals working with families. The tables and figures provide ready access to information needed when documenting the needs of families, establishing program directions, or developing funding proposals. The sourcebook is organized to help locate specific information or to assist professionals and lay persons to better understand general trends affecting families. Tables and graphs are in a full-size, camera-ready format, convenient for making transparencies to use in presentations or to insert in other documents.

The *Michigan Family Sourcebook* is a product of the Institute for Family and Child Study at Michigan State University and was developed by faculty from the College of Human Ecology and the Family Living Education Program of Michigan's Cooperative Extension Service.

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BRIEF

Factory sales of U.S. made **automobiles** to Canada rose by 7 percent, to 582,097 during 1979, up from the 1978 level of 541,552. These figures were released recently by the Motor Vehicle Manufacturers Association of the U.S., Inc., which also reported that U.S. exports to other countries rose by 22 percent, from 130,075 to 158,991. Plants in Canada sent 582,386 cars to the United States, a substantial 24 percent drop from the 1978 level of 764,835. Car exports from Canada to countries other than the United States also declined, from 107,037 to 92,726.

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